

INCOMING AIRGRAM

Department of State CSD MELLEW

ACTION COPY

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PAGE 1 OF 2 PAGES

Action

E-13

Info

Rm/R-2 TO: Secretary of State
EUR-15
FE-7 NO: A-8

ICR-20
B/PA-5
B/IGC-3

INR-8

P-8

Dept. Foreign Affairs has forwarded letter dated July 3 to Embassy
re request wheat flour supplement to 1960 P.L. 480 agreement. Body of
letter follows:

PA-4 Aug-20
Com-6
CISL-10 Taiwan
WH-B-2

We have now been informed by the Department of Trade
that, considering the urgent need for wheat flour in
Indonesia at present and in the very near future, the
Government is prepared and will endeavour seriously to
import 105,000 metric tons of wheat flour during the
calendar year 1961 as its normal commercial import require-
ment, provided its balance of payments allows it to do so.

I would like to remind you that during the first half
of 1961, we have already imported about 67,000 short tons,
or about 60% of our normal commercial import requirement,
namely:

- a) from the U.S.A. 12,000 short tons
- b) from Australia 50,000 short tons (part of it still underway)
- c) from France 5,000 short tons.

I hope that with this information the way has been
cleared for a speedy issuance of the PA for wheat flour
amounting to \$5.-million under Title I of the United States
PL 480 Programme.

Comment: Substance Deptel 1976 given Dept. Foreign Affairs officials
subsequent to receipt their letter. In addition Embassy officer pointed
out: value averaging out foreign exchange costs of 100,000 (30,000
commercial plus 70,000 P.L. 480) tons wheat flour; U.S. must protect
traditional suppliers; that GOI would probably import commercially up to
an additional 20,000 tons in CY 1961 (even though in previous years
imports of wheat flour have been lower than the quantity imported so far
in CY 1961) to supply Government owned bakeries; revenue that would

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Classification

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Amembassy DJAKARTA

July 9, 1961

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accrue to GOI from import of 70,000 tons wheat flour (Price component 50 per cent plus import duty); partial substitute for rice which in short supply; etc.

Officials said must again consult other GOI agencies. Embassy hopeful GOI will meet U.S. insistence import additional 30,000 tons commercially CY 1961.

JONES

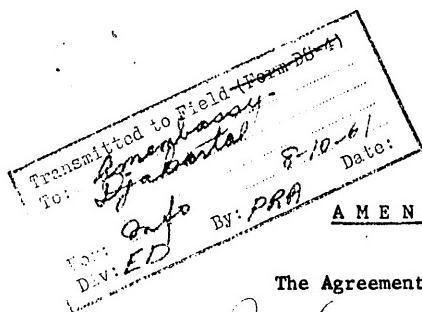
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AMENDATORY AGREEMENT

The Agreement made and entered into as of the 2nd day
of July 1961 by and between the Republic of Indonesia
(hereinafter called "Indonesia") and Export-Import Bank of Washington
(hereinafter called "Eximbank") to amend an Agreement entered into
by and between Indonesia and Eximbank as of June 8, 1960 (hereinafter
called the "Agreement of June 8, 1960"),

WITNESSETH:

WHEREAS, by the Agreement of June 8, 1960 a credit was
established in favor of Indonesia in an amount not exceeding Thirty-
Three Million Two Hundred Thousand Dollars (\$33,200,000) on certain
terms and conditions for the construction of a nitrogenous fertilizer
plant at Palembang, Sumatra to be operated by Sriwidjaja Fertilizers,
Inc., an entity controlled by Indonesia, (hereinafter called
"Sriwidjaja"); and

WHEREAS, the Agreement of June 8, 1960 was executed on the
basis of an understanding of the parties that a contract (hereinafter
called the "Construction Contract") for the design and con-
struction of the fertilizer plant had been entered into by Indonesia;
and

WHEREAS, subsequently the Construction Contract was terminated

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between the parties thereto, and a new contract for the construction of the fertilizer plant was executed between Indonesia and Morrison-Knudsen International Constructors, Inc., and Indonesia has requested that the credit be re-established by Eximbank on the terms and conditions of the Agreement of June 8, 1960 as hereinafter set forth and modified by certain amendments thereto which include the substitution of the contract between Indonesia and Morrison-Knudsen International Constructors, Inc. for the Construction Contract, the commencement of principal repayments on November 30, 1964 instead of July 31, 1963 and certain other changes; and Eximbank deems it advisable to accede to such request; and

NOW, THEREFORE, In consideration of the premises and the mutual covenants herein contained, the parties hereto agree to and do hereby amend the Agreement of June 8, 1960 by deleting Articles I through XVIII thereof and substituting in lieu thereof the following:

ARTICLE I

Line of Credit

1. Eximbank hereby establishes in favor of Indonesia a line of credit of not to exceed Thirty-Three Million Two Hundred Thousand Dollars (\$33,200,000), against which Eximbank, acting independently or through the agency of one or more commercial banks in the United States will make advances from time to time to assist

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Indonesia in financing the dollar cost of:

- (a) the acquisition in the United States from United States suppliers, and exportation to Indonesia of machinery, equipment and materials of United States manufacture or origin,
- (b) United States engineering and construction services,
- (c) the training of operating personnel by United States firms,

which have been incurred subsequent to January 26, 1960, and approved by Eximbank and are required in connection with the project (hereinafter called the "Project") for the construction and placing in operation of a nitrogenous fertilizer plant (hereinafter called "Plant") which is more fully described in the contract dated March 1, 1961 by and between Indonesia and Morrison-Knudsen International Constructors, Inc., (hereinafter called "MKI" and such contract being hereinafter called the "MKI Contract") and in a document entitled Preliminary Technical Specifications Urea Fertilizer Plant for the Republic of Indonesia dated March 1, 1961 (hereinafter called "Specifications") attached thereto, copies of which Specifications have been supplied to Eximbank.

2. A. Indonesia represents that the following documents have been duly executed, are in full force and effect and original counterparts or photostats thereof have been supplied to Eximbank:

- (a) The MKI Contract providing for construction of the Plant and the guaranty thereof by Morrison-Knudsen Company, Inc. as set forth in a letter from Morrison-Knudsen Company, Inc.

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to the Embassy of the Republic of Indonesia dated June 8, 1961 (hereinafter called the "MK Guaranty").

- (b) Contract between Indonesia and N. V. Standard Vacuum Petroleum Maatschappij dated February 20, 1959 (hereinafter called the "Stanvac Contract").
- (c) Contract between Indonesia and MKI dated March 1, 1961 providing for management and the training of personnel to operate the Plant (hereinafter called the "Management and Training Contract").
- (d) Contract between Indonesia and Dr. W. C. Schroeder (hereinafter called the "Technical Adviser") dated May 10, 1960, as amended, providing for technical advisory services (hereinafter called "Technical Advisory Contract").

B. Indonesia has transmitted to Eximbank original counterparts, photostats or conformed copies of the following documents and MKI has represented to Indonesia that such documents as transmitted have been duly executed and are in full force and effect:

- (a) Contract between MKI and H. K. Ferguson Company dated March 1, 1961 providing for the performance of architect, engineering design and other services by H. K. Ferguson Company for MKI (hereinafter called the "Ferguson Contract").
- (b) Contract between H. K. Ferguson Company and Girdler Corporation dated March 2, 1961 providing for certain process design services by Girdler Corporation for H. K. Ferguson Company (hereinafter called the "Girdler Contract").
- (c) Licensing agreement between Girdler Corporation and H. K. Ferguson Company dated June 16, 1961 providing for the licensing of the Girdler process and the Toyo Koatsu process (hereinafter called the "Licensing Agreement").
- (d) Letter dated May 17, 1961 from Girdler Corporation to H. K. Ferguson Company approved by Toyo Koatsu Industries, Inc. confirming the existence

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of an agreement between Toyo Koatsu Industries, Inc. and Girdler Corporation permitting Girdler Corporation to offer the Toyo Koatsu urea process for use in the Project (such agreement being hereinafter called the "Toyo Koatsu Agreement").

3. Indonesia (a) will not agree to any substantial change in the scope of the Project or to alter substantially the terms of or to make any substantial addition to the MKI Contract, the MK Guaranty, the Management and Training Contract, the Stanvac Contract or the Technical Advisory Contract without the written consent of Eximbank, and will promptly notify Eximbank in writing of any termination or proposed termination of any of the foregoing contracts, and (b) will promptly transmit to Eximbank written notice of (i) any termination, substantial addition to or alteration of the Ferguson Contract, the Girdler Contract, the Licensing Agreement or the Toyo Koatsu Agreement, and (ii) any proposed termination, substantial addition to or alteration of any of the foregoing. Indonesia may rely on the written opinion of its Technical Adviser in determining which changes, additions or alterations, if any, are substantial.

ARTICLE II

Repayment

Indonesia hereby undertakes and agrees to repay the aggregate amount of advances made by Eximbank hereunder in thirty (30) approximately equal semiannual installments, commencing November 30, 1964, and to pay interest at the rate of five and three-fourths

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per cent (5-3/4%) per annum, computed on the basis of the actual number of days, using a 365-day factor, on the unpaid principal balance from time to time outstanding, payable semiannually on May 31st and November 30th of each year.

ARTICLE III

Promissory Note

Further to evidence its obligation to repay Eximbank for advances made hereunder Indonesia shall issue and deliver to Eximbank its negotiable promissory note in the principal sum of Thirty-Three Million Two Hundred Thousand Dollars (\$33,200,000) payable in thirty (30) approximately equal semiannual installments, commencing November 30, 1964. The note shall be payable to the order of Eximbank in lawful money of the United States at a bank or other financial institution in the United States designated by Indonesia and satisfactory to Eximbank. The note shall be dated as of the date of issue and shall bear interest at the rate of five and three-fourths per cent (5-3/4%) per annum, payable semi-annually on May 31st and November 30th of each year on the unpaid principal balance thereof from time to time outstanding. As advances are made by Eximbank under the credit, the dates and amounts thereof will be endorsed by Eximbank upon said note. Interest will be computed on an actual day basis, using a 365-day factor.

Although the promissory note shall bear interest from date,

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interest shall accrue and be collected only from the date of the respective disbursements as provided for herein.

The note shall be in the English language, shall be printed or lithographed and shall be substantially in the form of Exhibit "A" hereto attached.

Indonesia shall have the right to prepay at any time without penalty or premium all or any part of the principal of said note. Any such prepayment shall be applied to the installments of principal in the inverse order of their maturity.

In case the line of credit is not utilized to the full extent of the principal amount of the said note, Eximbank will, subsequent to the expiration of the period of availability as provided for in Article VIII hereof upon the request of Indonesia within ninety (90) days after such expiration date accept a new note, conforming except as to amount with Exhibit "A", in an aggregate principal amount equal to the outstanding indebtedness of Indonesia hereunder in exchange for the note originally issued and delivered to Eximbank; provided, however, that Indonesia shall pay all interest on the note surrendered by Eximbank which has accrued to the date of such new note. If such request is not made, Eximbank will credit the excess of principal against the amount due on the latest maturing installments of the original note.

It is understood and agreed that Eximbank may sell, grant a participation in or otherwise dispose of all or any part of the

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indebtedness of Indonesia to Eximbank resulting from advances made by Eximbank under the credit herein established.

ARTICLE IV

Exchange of Notes

Upon the request of Eximbank, Indonesia shall issue and deliver to Eximbank its new promissory note or notes in such denominations as Eximbank may request in exchange for any note issued by Indonesia pursuant to Article III hereof. If Eximbank shall so request, such new note or notes shall be so issued that all or any part of the principal of the note surrendered in exchange therefor shall be severally evidenced by a new note or notes. The principal amount of such new note, or the aggregate principal amount of such new notes, shall be equal to the aggregate unpaid principal balance of the note or notes surrendered in exchange therefor. Such new promissory notes shall be issued in such denominations as Eximbank may request and shall be dated so that no gain or loss of interest or acceleration or delay of interest payments will result. Each new note issued pursuant hereto shall be substantially in the form of Exhibit "A" attached, except for such changes as may be appropriate to accomplish any of the purposes hereof.

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ARTICLE V

Conditions Precedent

Prior and as a condition precedent to the first utilization of the credit whether by direct advance as described in Article VI or by the issuance of an undertaking with respect to a letter of credit as described in Article VII, Indonesia shall without cost to Eximbank furnish in form and substance satisfactory to Eximbank the following:

- (a) Promissory Note. The promissory note of Indonesia conforming to the provisions of Article III hereof.
- (b) Evidence of Authority. Evidence of the authority and the authenticated specimen signature in duplicate of each of the person or persons (i) who have signed this Agreement on behalf of Indonesia and (ii) who will sign the promissory note or notes provided for herein on behalf of Indonesia; and (iii) who will act as the representative or representatives of Indonesia in connection with the operation of the credit.
- (c) Legal Opinions. An opinion or opinions of the Minister of Justice of Indonesia which shall demonstrate to the satisfaction of the General Counsel of Eximbank or Counsel designated by him that Indonesia has taken all action necessary under its constitution, laws and regulations to authorize the contracting of the credit hereby established; that this Agreement as executed is legally binding on Indonesia in accordance with its terms and the promissory note referred to herein when and as issued on behalf of Indonesia will constitute the legal and binding obligation of Indonesia. The opinion or opinions shall refer to all pertinent laws, powers of attorney and other documents, and shall be supported by copies thereof where appropriate.

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- (d) Certificate of Fees or other Payments. The certification by Indonesia of the name and address of each payee or intended payee of any commission, fee or other payment permitted under the terms of Article IX(b), together with a statement of the services rendered or to be rendered and the amount received or to be received by each, and that no other commission, fee or payment in connection with the establishment or operation of the credit has been paid. Unless previously supplied to Eximbank any certificates supplied under this Article or under Article X B(c) shall be accompanied by the verification of each payee or intended payee named therein of the amount of commission, fee or other payment received and to be received by him, together with his agreement to accept such reduction therein as may be necessary to make such amount satisfactory to Eximbank.
- (e) Other Documents. Such other documents, information or opinions as Eximbank may reasonably request. All documents submitted under this Article shall be in duplicate and in the English language.

ARTICLE VI

Revolving Fund and Reimbursement

When all conditions precedent to the first utilization of the credit have been fulfilled, and provided the aggregate of advances made under this Article VI, and the amount of Eximbank's undertakings issued in connection with letters of credit under Article VII do not exceed the amount of the line of credit extended by Eximbank under Article I, Eximbank will, upon the written request of Indonesia make advances in multiples of Fifty Thousand Dollars (\$50,000) up to an aggregate amount of Seven Hundred Fifty Thousand Dollars (\$750,000). Such advances shall be deposited to the account of Indonesia in a banking institution in the United States satisfactory to Eximbank and the aggregate amount of such advances shall

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constitute a fund (hereinafter referred to as the "Revolving Fund") which, as thus established and as it may be reimbursed from time to time shall be used by Indonesia exclusively for the purpose of financing United States dollar expenditures in connection with the Project.

Thereafter as the Revolving Fund requires reimbursement for the purpose of enabling Indonesia to finance eligible expenditures in connection with the Project, Eximbank will make further advances to the Revolving Fund upon receipt of the following in form and substance satisfactory to Eximbank:

- (a) Request for Advance. A request signed by a duly authorized representative of Indonesia for an advance which shall not, except for the last disbursement, be in an amount of less than Fifty Thousand Dollars (\$50,000) and which shall not exceed the amount of expenditures shown on the itemized statement required by subparagraph (b) hereof. Any balance of such expenditures not covered by the request shall be carried forward to the next succeeding itemized statement;
- (b) Itemized Statement. An itemized statement signed by an authorized representative of Indonesia setting out all U. S. dollar expenditures eligible for financing hereunder for which reimbursement has not been made with respect to any itemized statement previously furnished Eximbank hereunder. Such statement shall be accompanied by copies of received invoices and such other documentary evidence as may be required by Eximbank;
- (c) Certificate of Indonesia. A certificate signed by an authorized representative of Indonesia certifying with respect to the statement required by subparagraph (b) hereof; (1) that all such expenditures were made by Indonesia for the purposes authorized by Article I hereof; (2) that Indonesia has paid for the items listed in said statement the exact amounts set forth in such statement and that such amounts

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take into account all discounts, allowances, rebates or other payments received or to be received in connection with the acquisition of said items;

- (d) Supplier's Certificate. A certificate by the United States supplier of the items listed in the itemized statement required by subparagraph (b) hereof that the items supplied are of United States manufacture or origin and that said supplier has not, except as stated in the certificate, paid or granted, agreed to pay or grant, or caused to be paid or granted to any person or other entity (except the supplier's regular full-time directors, officers, and employees to the extent of their regular remuneration) any discount, allowance, rebate, commission, fee or other payment in connection with the sale of, or for obtaining the contract to sell, the said item or items; and
- (e) Additional Documents. Such other statements, certificates, documents, information and evidence as Eximbank may from time to time reasonably request.

Within ninety (90) days following the date of the final advances hereunder Indonesia shall submit to Eximbank an itemized statement as provided in subparagraph (b) hereof and the certificates relative thereto as provided in subparagraphs (c) and (d) hereof with respect to all U. S. dollar expenditures which shall have been made by Indonesia out of the Revolving Fund and which have not been reported in any previous itemized statement. If the expenditures so reported together with the expenditures reported in previous itemized statements do not equal the total of the amounts advanced to establish or reimburse the Revolving Fund, Indonesia shall promptly pay over to Eximbank an amount equal to the difference, which amount shall be applied as a prepayment on the promissory note as provided in Article III.

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ARTICLE VII

Letters of Credit.

When all conditions precedent to the first utilization of the credit have been fulfilled and provided the aggregate of advances made under Article VI and the amount of Eximbank's undertakings issued in connection with letters of credit under this Article VII do not exceed the amount of the line of credit extended by Eximbank under Article I, Eximbank will, at the request of Indonesia, issue its undertakings to reimburse or advance funds to any United States commercial bank designated by Indonesia and approved by Eximbank in connection with letters of credit issued with the approval of Eximbank by the commercial bank at the request of Indonesia to finance the purchase and exportation to Indonesia of any item or items eligible for financing hereunder. Any such letter of credit shall be for an amount of not less than Fifty Thousand Dollars (\$50,000) and shall expire by its terms not later than June 30, 1964, unless and to the extent that Eximbank may otherwise consent in writing. No such undertaking with respect to a letter of credit shall be issued by Eximbank unless it first shall have received in form and substance satisfactory to it, the following:

- (a) Written Request. A request signed by a duly authorized representative of Indonesia (1) identifying the item or items covered by the proposed letter of credit; (2) certifying that the purchase of such items is for the purpose authorized by Article I hereof; (3) authorizing Eximbank to issue its

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undertaking as aforesaid; and certifying that Indonesia has not received nor agreed to receive any discount, allowance, rebate or other payment in connection with the acquisition of such item or items except such discounts, allowances, rebates or other payments, if any, as will be taken into account in the invoices presented in support of drawings under said letter of credit. Such request shall be accompanied by three copies of the proposed letter of credit prepared by the issuing U. S. commercial bank and by copies of pro forma invoices or other documents describing in detail the items covered by the letter of credit. Said letter of credit shall contain the condition that the Supplier of the item or items must submit to the issuing bank a certificate conforming to the requirements of subparagraph (d) of Article VI hereof.

- (b) Additional Documents. Such additional documents and information relative to the foregoing as Eximbank may from time to time reasonably request.

It is understood that the issuance of such undertaking by Eximbank shall, during the pendency of any such letter of credit constitute a pre-emptive commitment of funds of the credit and that payments which may be made by Eximbank to such U. S. commercial bank as a result of such undertakings shall constitute advances under the credit; and it is further understood that in making payments to such commercial bank pursuant to its undertakings, Eximbank shall not be liable or responsible in any way for the acts or omissions of such commercial bank in connection with payments to the beneficiary or the issuance of any letter of credit.

If Indonesia shall make payments to a commercial bank for items covered by a letter of credit with respect to which Eximbank shall have issued its undertaking as aforesaid, Indonesia may be

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reimbursed for the amount so paid by an advance under the credit pursuant to the provisions of Article VI hereof.

For purposes of computing interest payable on advances under the credit effected by payments made by Eximbank to a commercial bank in connection with a letter of credit with respect to which Eximbank shall have issued its undertaking as aforesaid, the advances by Eximbank shall be deemed to have been made on the date upon which the commercial bank shall have made payment to the beneficiary of the letter of credit; provided, however, that a payment by Eximbank to a commercial bank prior to the date of the corresponding payment by the commercial bank under the letter of credit shall bear interest from the date of such payment by Eximbank.

ARTICLE VIII

Availability and Termination

Eximbank shall not be obligated to make advances under this credit subsequent to the close of business on July 30, 1964 unless and to the extent that Eximbank shall consent in writing.

In the event that Indonesia or Eximbank at any time during the period of availability of the credit shall determine that the Project is not being realized on account of unforeseen circumstances which would in the opinion of Indonesia or Eximbank constitute just cause for the discontinuance of further advances under the credit, Indonesia or Eximbank shall have the right to terminate or suspend

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all further advances by written notice as provided in Article XVIII; it being understood, however, that such termination or suspension shall be without prejudice to the right of Indonesia to obtain reimbursement with respect to purchases of eligible items of equipment made prior to the date of such termination or suspension and with respect to which binding contracts of purchase or for manufacture and construction of equipment or for transportation charges have been entered into prior thereto and which are still in effect at the time of receipt of such notice of termination or suspension and provided further that any such termination or suspension shall not relieve Indonesia of any obligation incurred with respect to disbursements made prior or subsequent to receipt of such notice of termination or suspension.

ARTICLE IX

Representations and Warranties

Indonesia represents and warrants that:

- (a) Past Employment with Eximbank. No official, employee, agent, attorney or consultant of Indonesia who performed services in connection with the establishment of the credit was a director, officer or employee of Eximbank at any time during the period of one (1) year prior to January 26, 1960 (the date on which the credit was authorized by Eximbank).
- (b) Fees or Other Payments. It has not paid, agreed to pay or caused to be paid to any person or other entity any commission, fee or other payment in connection with the establishment or operation of the credit, except reasonable compensation satisfactory to Eximbank

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for bona fide professional, technical or other comparable services incident to presenting the merits of Indonesia's application or to the operation of the credit.

ARTICLE X

Covenants

Indonesia covenants and agrees with Eximbank that,

A. Progress Reports. Until the Plant is completed and put into operation Indonesia shall furnish to Eximbank such financial and work progress reports as are required to be submitted to Indonesia by the terms of Article XXII of the MKI Contract and such other reports in form and substance satisfactory to Eximbank as may be required by Eximbank to keep Eximbank fully and currently informed on all matters relating to the construction and initial operation of the Plant and the expenditure or obligation of funds in connection therewith.

B. As long as any promissory notes issued and delivered hereunder by Indonesia to Eximbank are outstanding:

- (a) Annual Financial Statement. Within sixty (60) days following the close of each fiscal year of Sriwidjaja commencing with the fiscal year in progress on the date of the initial operation of the Plant referred to in Article I and up to and including the fiscal year in which the notes issued hereunder have been repaid, Indonesia shall submit to Eximbank certified copies of the annual balance sheet and profit and loss statement of Sriwidjaja for such fiscal year, certified by an auditing agency of the Government of Indonesia satisfactory to Eximbank.

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- (b) Inspection. The designated representative or representatives of Eximbank shall at all reasonable times and upon notice to Indonesia have the right to inspect the engineering, construction and operation facilities of the Project in connection with which items financed hereunder are utilized, and shall receive the full cooperation and assistance of Indonesia, its agents, employees, engineers and contractors in connection therewith.
- (c) Fees and Other Payments. Indonesia will not pay, agree to pay, or cause to be paid to any person or other entity any commission, fee or other payment in connection with the establishment or operation of the credit except reasonable compensation satisfactory to Eximbank for bona fide professional, technical or other comparable services incident to presenting the merits of Indonesia's application or to the operation of the credit. Subsequent to the first utilization of the credit Indonesia shall submit to Eximbank a certificate similar to that required by Article V(d): (1) within ten days after it shall have paid, agreed to pay or cause to be paid any commission, fee or other payment in addition to any such commission, fee or payment previously reported; and (2) within ten days after the final date for making advances hereunder or after the date on which the credit shall have been fully disbursed, whichever is sooner. In the event that the amount of any such commission, fee or other payment reported in the certificates required by this Article or by Article V(d) is deemed unreasonable by Eximbank, Indonesia shall cause reductions satisfactory to Eximbank to be made therein.
- (d) Future Employment with Eximbank. During the period of two years after January 26, 1960 Indonesia will not employ or enter into any understanding to employ any person (1) who was a director, officer or employee of Eximbank at any time during the period of one year prior to the date stated above, or (2) who is a director, officer or employee of Eximbank at the time of such employment or understanding to employ, unless in either case such employment is approved in writing by Eximbank after full disclosure

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to it of all facts in connection therewith which it deems to be relevant.

All reports under this Article shall be in the English language and reports called for under paragraph A shall, if requested by Eximbank, be accompanied by comments of the Technical Adviser of Indonesia.

ARTICLE XI

Marine Insurance

Premiums for insurance against marine and transit hazards to the Indonesian port of entry on items financed hereunder will be eligible to be financed under this credit only with respect to those policies of insurance which are payable in United States dollars and placed in the United States market.

ARTICLE XII

Marine Transportation

Any item or items, the purchase of which is to be financed in whole or in part hereunder and which shall be exported by ocean vessel to Indonesia, shall be transported from the United States in vessels of United States registry, as required by Public Resolution No. 17 of the 73rd Congress of the United States, except to the extent that a waiver of such requirement is obtained as provided in said Public Resolution.

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ARTICLE XIII

Priorities, Permits and Licenses

Eximbank does not and will not assume any obligation or responsibility for the issuance by any agency or department of the Government of the United States of any priority, allocation, permit or license which may be required under existing or future laws of the United States or under any existing or future rule or regulation of any agency or department thereof to manufacture, purchase, sell or export any item or items which Indonesia may desire to purchase and finance under this Agreement.

ARTICLE XIV

Taxes

Both principal of and interest on the obligation of Indonesia hereunder evidenced by the promissory note or notes to be issued pursuant to this Agreement shall be paid in United States dollars in the United States of America without deduction for, or on account of, any present or future tax, duty or other charge imposed or levied by or within Indonesia against such note or notes or the proceeds or holder or holders thereof.

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ARTICLE XV

Expenses

All promissory notes, statements, reports, certificates, opinions, and other documents or information to be furnished to Eximbank hereunder shall be supplied without cost to Eximbank.

ARTICLE XVI

Events of Default

In the event:

- (a) That Indonesia fails to pay when due the principal or interest on the notes issued as provided for herein; or
- (b) That any representation or warranty made herein proves to be incorrect in any material respect and has not been corrected within thirty (30) days after written notice thereof shall be given to Indonesia by Eximbank; or
- (c) That Indonesia fails to comply with any term, covenant or agreement contained herein and such failure remains unremedied for a period of thirty (30) days after written notice thereof shall be given to Indonesia by Eximbank;

then, and in every such event of default, the unpaid principal balance of the notes issued pursuant hereto, together with accrued interest thereon, shall become and be immediately due and payable at the option of Eximbank upon notice to that effect delivered to Indonesia as provided in Article XVIII, and Eximbank may exercise any of the rights and privileges then existing in its favor for the purpose of collecting all amounts then due and payable to it on account of any promissory note or pursuant to this Agreement.

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By GP NARA Date 8/4/00

ARTICLE XVII

Waiver

No failure or delay on the part of Eximbank to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other further exercise thereof or the exercise of any other right, power or privilege.

ARTICLE XVIII

Notices and Communications

All notices and other communications hereunder shall be given in writing and shall be addressed, if to Eximbank, as follows:

"Export-Import Bank of Washington
Washington 25, D. C."

and if to Indonesia, as follows:

"Embassy of Indonesia
2020 Massachusetts Avenue, N. W.
Washington, D. C."

or such other address as Indonesia may last have filed with Eximbank

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for the purposes hereof. All notices shall be deemed given when received.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in duplicate at Washington, District of Columbia, United States of America, as of the date first above written.

REPUBLIC OF INDONESIA

By _____
Title _____

EXPORT-IMPORT BANK OF WASHINGTON

By _____

ATTEST:

Secretary

#1126

23.

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By GP NARA Date 8/4/00

EXHIBIT "A"

REPUBLIC OF INDONESIA

PROMISSORY NOTE

U. S. \$ _____

_____, 19 ____

THE REPUBLIC OF INDONESIA acknowledges its indebtedness and for value received hereby promises to pay to the order of Export-Import Bank of Washington, an agency of the United States of America, the principal sum of Thirty-Three Million Two Hundred Thousand Dollars (U. S \$33,200,000), in installments as hereinafter provided, and to pay interest on the 31st day of May and the 30th day of November of each year at the rate of five and three-fourths per cent (5-3/4%) per annum on the unpaid principal balance of this note from time to time outstanding.

Both principal of and interest on this note shall be paid in United States dollars at _____ without deduction for, or on account of, any present or future tax, duty or other charge imposed or levied by or within the Republic of Indonesia against this note or the proceeds or the holder hereof.

The principal of this note shall be payable in thirty (30) semianual installments, the first of which shall be in the amount of One Million One Hundred Six Thousand Six Hundred Eighty-Six Dollars

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(\$1,106,686) and shall be due and payable on November 30, 1964, and the remaining twenty-nine (29) of which shall each be in the amount of One Million One Hundred Six Thousand Six Hundred Sixty-Six Dollars (\$1,106,666) and shall be due and payable successively thereafter on May 31st and November 30th of each year. The Republic of Indonesia shall have the right at any time to prepay, without penalty or premium, all or any part of the principal of this note; any such prepayment to be applied to the installments of principal in the inverse order of their maturity.

Upon default in the prompt and full payment of any installment of principal of, or payment of interest on, this note, the entire unpaid principal of this note and interest thereon to the date of payment shall immediately become due and be payable upon the option and demand of the holder hereof. The non-exercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

IN WITNESS WHEREOF, the Republic of Indonesia has caused this promissory note to be duly executed and issued.

REPUBLIC OF INDONESIA

By _____

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DEPARTMENT OF STATE INSTRUCTION



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(Security Classification)

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TR-3

BOB-1

FRB-2

XMB-4

VSIA-10

WH-MCG-2

NO.: W-3, July 12, 1961,

SUBJECT: Proposed Title I, PL 480 Program for Indonesia

TO: American Embassy, DJAKARTA

1. You are authorized to open negotiations with the Government of Indonesia on the program outlined herein for the supply of U.S. agricultural commodities under Title I, PL 480 having a market value of \$65.10 million (including ocean transportation costs to be financed by USDA on the portion of the commodities required to be carried on U.S. flag vessels). In conformity with Executive Order 10900, it is anticipated that the Ambassador will direct negotiations acting with the advice and participation of representatives of other agencies concerned, including the USOM Director and the Agricultural Attaché. If serious problems should arise upon initial review or during the course of negotiations, you should postpone or suspend negotiations and communicate with the Department before proceeding further. The initial approach may be made either orally or in writing at your discretion, having in mind the experience in negotiating the last agreement.

2. Standard Instructions

To facilitate Washington processes, the negotiating subjects which are more or less standard in all Title I negotiations have been combined in "Instructions (Part II) for Negotiating Agreements under Title I, Public Law 480," a copy of which is attached (enclosure #1). Part II is to be considered and handled as an integral part of this instruction, except as modified by this instruction.

3. Commodity Composition. The commodity composition of the proposed program is as follows:

RM/R
Anal.
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CommodityOFFICIAL USE ONLY
(Security Classification)

DRAFTED BY:FAS:SWPhillips

CSD:GHHazard Date:7/6/61

APPROVED BY:

E - Edwin M. Martin

CLEARANCES: CSD:HMGabbert

ED:WCSchmeisser

OR:SLMellen

L/E:RBBillder

SPA:EJThrasher

L/T:JDBradford

CU:INelson

Interagency Staff Committee

S/S-CR

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By GP NARA Date 8/4/00

W-3, July 12, 1961, Djakarta,

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<u>Commodity</u>	<u>Approximate quantity</u>	<u>Export Market Value</u>	<u>Estimated CCC Cost</u>
		(Millions)	
Rice	150,000 MT	\$16.5	\$33.9
Cotton (domestic processing)	132,000 bales	19.8	23.1
Cotton (third country processing)	110,000 bales	16.5	19.3
Wheat flour	94,000 MT	7.0	10.9
Ocean freight		5.3	5.3
Totals		\$65.1	\$92.5

Rice - 50,000 MT represents about the maximum annual quantity of rice that can be programmed to Indonesia in view of the limited U.S. rice supply outlook. If more rice can be made available, consideration would be given to amending the proposed agreement. In any event you should not (repeat not) discuss rice with the GOI until consultations with other rice producing countries now in progress are completed. You will be notified by cable when the consultations are completed.

Domestic cotton - A three-year program is offered on the basis of 38,000 bales in calendar 1961, 44,000 bales in 1962 and 50,000 bales in 1963. A 17,000 bale U.S. usual marketing requirement would be in effect for each of these years. If it develops that additional cotton can be justified, consideration would be given amending the Agreement.

Third Country processing cotton - The 110,000 bales is based upon a slight increase over the 1959 SAC program and is intended for one year only. Provided that third country processing arrangements can be made and delivery of U.S. cotton carried out within a reasonable time, cotton will be added to the program by amendment to provide for the second year. In the same manner provision would be made for the requirements of the third year.

The following are the terms and conditions for the sale of Title I cotton for offshore processing. These conditions will not be imposed in written form except insofar as they are embodied in purchase authorizations. Therefore, the GOI's oral acceptance of them should be obtained in the course of the negotiations.

(a) The equivalent quantity of cotton financed under the proposed Title I agreement for third country processing is to be processed and shipped to Indonesia in the form of yarn and cloth.

(b) Indonesia

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(b) Indonesia will use its own resources for the payment of processing costs and the costs of handling, shipping, etc., of yarn and cloth to Indonesia. It is recommended that the GOI use 35 percent and 45 percent as the factors for determining the proportion of the f.o.b. value of yarn and cloth, respectively, in the processing countries attributable to processing cost. This percentage factor is the same as was established in the triangular agreements with Pakistan and Viet-Nam. If the GOI should want to use some other factor or method for determining processing cost it will have to be submitted to the USG for consideration and approval.

GOI will arrange for the processing of cotton yarn and cloth with each country of its choice. U.S. will not participate in negotiations between the GOI and processing countries nor will it designate processing countries for negotiations with GOI. Processing countries selected by GOI must be friendly to the U.S. and subject to approval by the USG. Otherwise, the GOI should understand that it has maximum latitude in the selection of countries for processing.

GOI will be required to certify to USDA that none of the Title I raw cotton was used to pay the processing or transportation costs of yarn or cloth.

(c) With respect to purchase authorizations, the GOI is required to make application for purchase authorizations within 90 days of the signing of the agreement. Instead of issuing a single purchase authorization to the GOI authorizing Indonesia to subauthorize the dollars for cotton to various processing countries named in the authorization, we propose to:

(1) Issue individual tripartite authorizations to the GOI and the government of the processing country. These authorizations would establish maximum authorized amounts (dollars) to finance the cotton content of yarn and cloth furnished by the processing country.

(2) In order to permit the accepting of government maximum latitude in its negotiations for yarn and cloth from all processing countries, it could elect to accept the individual purchase authorizations under any of the following circumstances:

(i) After tentative arrangements are made with a particular processing country for the purchase of yarn and cloth, request the issuance of a tripartite authorization for the dollar value of the cotton required to pay for cotton content of such yarn and cloth.

(ii) Request the issuance of tripartite authorizations for one or all of the processing countries in amounts less than the total dollar amount of the agreement and subsequently increase the authorized amounts by processing countries as the yarn and cloth procurement progresses. This would permit the

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allocation of additional dollars to those countries which afforded the best values.

(iii) Decide in advance the maximum amount to be spent in each processing country and request authorizations accordingly which will total the dollar amount for cotton provided in the agreement.

(3) We also propose to eliminate the problem of collecting adjustment refund dollars and the reprogramming of these dollars by issuing tripartite authorizations that contain a "95%" clause. The "95%" method provides that CCC will finance 95% of the net dollar cost of the cotton for each invoice submitted, but in the aggregate CCC will finance up to the full dollar amount authorized. On the average, cotton adjustment refunds amount to less than 5% of the total cost of the cotton. Since the importer, under this system, would purchase for dollars 5% more cotton than will be financed by CCC, the adjustment refunds would be settled directly between the supplier and the importer and CCC would have no interest in attempting to collect adjustment refunds or the reprogramming of the refunds.

Wheat flour - Because questions regarding the wheat flour program for 1961 may not be resolved when this instruction is received, the 47,000 MT per year offer accompanied with a usual marketing requirement of 105,000 MT per annum should be regarded as tentative.

Dairy products - The whole powdered milk requested for the Asian games is available in the amounts requested. However, the record shows considerable commercial imports of this commodity and it would be difficult to justify a Title I sale unless accompanied by a substantial global usual marketing requirement and after consultations with other milk suppliers.

4. Schedule of Shipments and Issuance of Purchase Authorizations - Under the proposed Agreement, purchase authorizations would be issued for contracting and delivery in calendar 1961 of the following:

<u>Commodity</u>	<u>Approximate Quantity</u>	<u>Market value exclusive of freight (millions)</u>
Rice	50,000 MT	\$ 5.5
Cotton (domestic)	38,000 bales	5.7
Cotton (off shore)	110,000 bales	16.5

The second and third purchase authorizations for rice would be issued for contracting and delivery after August 1, 1962 and August 1, 1963, respectively.

With respect to the purchase and shipment of rice, you should point out to GOI officials that it is very important to the USDA that rice purchases and shipping for each year be completed as early as possible in the U.S. rice

marketing

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marketing year beginning August 1. If it is mutually agreed that less than \$5.5 million of rice will be financed in any one calendar year, no assurances can be given to the GOI that such a reduction can be offset by increases above \$5.5 million in succeeding years.

Separate wheat flour purchase authorizations would be issued for contracting and delivery in calendar 1962 and 1963.

Purchase authorizations for \$5.7 million cotton (approximately 38,000 bales) for domestic spinning and for \$16.5 million cotton (approximately 110,000 bales) will be issued for contracting and delivery in calendar 1961. Likewise, later purchase authorizations for cotton for domestic spinning will specify 1962 and 1963 contracting and delivery. Purchase of cotton for third country processing for 1962 and 1963 must await review and amendment of the sales agreement.

5. Escape Clause

The amounts proposed for financing the commodities mentioned for U.S. CY 1961 would be firm. However, the amounts for the remaining years are subject to final determination at the end of each calendar year that the commodities proposed are surplus and available under Title I. Therefore, Article I of this Agreement provides that GOI requests for purchase authorizations for cotton and rice will be acted upon after December 31, 1961 only on determination by the U.S. that these commodities are surplus. Also included in the same paragraph of the agreement is an escape clause which will give either government the right to terminate or continue the financing of further sales under this agreement of either commodity at a reduced level if it determines at any time after January 1, 1961, that such action is justified on economic grounds or for foreign policy reasons.

6. Commercial Purchase Requirements

The GOI will be required to give written assurance that Title I imports of rice shall be over and above Indonesia's usual commercial imports from free world sources of not less than 650,000 MT for each of the calendar years 1961, 1962 and 1963.

In the case of cotton it must be understood that the GOI will import from the U.S. 17,000 bales of cotton in each of CY's 1961, 1962 and 1963.

A global usual marketing requirements for CY's 1962 and 1963 amounting to 105,000 MT would be established for wheat flour.

An exchange of notes is enclosed to provide for understandings on the above requirements. Requirements for CY's 1962 and 1963 may be revised on the basis of review to be made by the two Governments prior to the beginning of each of calendar years. The Embassy is requested to furnish USDA quarterly reports

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showing the extent of compliance of usual marketing requirements. This will facilitate issuance of purchase authorizations for the second and third years. Unfulfilled requirements are generally added to the requirements of succeeding years.

7. Deposit rate

Interested Washington agencies have agreed to go as far as they feel it possible to meet the Indonesian request for the application of the basic rate of about 45 rupiah per dollar to payments for commodities delivered under this agreement. The formula which is believed best to meet the policy objectives of both parties is to agree that deposits representing the country use portion of the agreement shall be made at the basic selling rate of the Bank of Indonesia. Deposits representing that portion of the sales proceeds set aside for U.S. uses would be made at the basic selling rate plus the one hundred percent exchange tax, or approximately 90 rupiahs per dollar. Under this agreement it will be possible for the U.S. to agree to make the local currency equivalent of 85% of the dollar disbursements available for Indonesian use, compared to 75% under the November 1960 sales agreement. The portion set aside for U.S. uses could be reduced to only 15%, including 5% for Cooley loans.

The Embassy should assure itself that the Indonesian Government understands that in the event of a change in the Indonesian exchange system, the rate or rates applicable to deposits, to be effective as of the date of such change, will be determined by mutual agreement.

8. Currency uses:

a. U.S. uses: Ten percent of the rupiah accruing pursuant to this Agreement is proposed for U.S. uses under subsections (a), (b), (f), and (h) through (r) of Section 104.

In connection with the amount for U.S. uses you should attempt to secure agreement that upon request of the U.S., up to \$1,303,000 of this amount will be converted into other non-dollar currencies for use in connection with agricultural market development projects in countries where Title I funds are not available or are inadequate. Also seek agreement for the conversion of \$500,000 worth of rupiah into other currencies for the purchase of transportation for Indonesian and American participants in the International Educational Exchange Program. \$100,000 would be for CY 1961; \$200,000 for CY 1962 and the balance for CY 1963.

b. Loans under 104(e) Cooley Amendment. Five percent of the rupiah accruing under this Agreement is proposed for loans to private firms through the Export-Import Bank.

c. Grants

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c. Grants under 104(e). Forty-two and a half percent of the rupiahs accruing under this agreement is proposed for a grant to the GOI for financing such projects to promote balanced economic development as may from time to time be mutually agreed. Final approval for the grant has not yet been received. Therefore you should not (repeat not) discuss a grant with the GOI until instructed further.

d. Loans under 104(g). Forty-two and a half percent of the rupiah accruing pursuant to this agreement is proposed for a loan to GOI for economic development projects.

9. Signing Procedure

If the proposed sales agreement is acceptable to the GOI, the Embassy should cable priority for authorization to sign the sales agreement, giving the proposed date and hour of the scheduled signing. At least 72 hours advance notice is needed. As soon as the agreement is signed, you should cable the Department priority and airpouch copies in accordance with Item 14 of Part II of the Negotiating Instruction (enclosure #1).

RUSK

Enclosures:

1. Part II Negotiating Instruction.
2. Draft Sales Agreement.
3. Draft Note.
4. Note.
5. Loan Agreement.

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Enclosure #2

AGRICULTURAL COMMODITIES AGREEMENT
BETWEEN THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
UNDER TITLE I
OF THE AGRICULTURAL TRADE DEVELOPMENT AND
ASSISTANCE ACT, AS AMENDED

The Government of the United States of America and the Government of the Republic of Indonesia:

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Considering that the purchase for rupiah of agricultural commodities produced in the United States will assist in achieving such an expansion of trade;

Considering that the rupiah accruing from such purchases will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales of agricultural commodities to Indonesia pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), during the calendar years 1961, 1962 and 1963 and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows:

ARTICLE I
SALES FOR INDONESIAN RUPIAH

1. Subject to the availability of commodities for programming under the Act and issuance by the Government of the United States of America and acceptance by the Government of Indonesia, the Government of the United States of America undertakes to finance the sale to purchasers authorized by the Government of Indonesia, for Indonesian rupiah, of the following agricultural commodities in the amounts indicated during the calendar years 1961, 1962 and 1963.

Commodity

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<u>Commodity</u>	<u>Export Market Value (millions)</u>
Rice	\$ 16.5
Cotton (domestic processing)	19.8
Cotton (third country processing)	16.5
Wheat flour	7.0
Ocean transportation	<u>5.30</u>
Total	\$ 65.1

2. Applications for purchase authorizations for \$5.5 million of rice, \$5.7 million for cotton (domestic processing) and \$16.5 million for cotton (third country processing) plus certain ocean transportation will be made within 90 calendar days after the effective date of this Agreement for procurement during calendar 1961.

The amounts of rice, cotton and wheat flour for subsequent years will be determined on the basis of annual review to be made by the two Governments prior to the beginning of calendar years 1962 and 1963. Purchase authorizations will include provisions relating to the sale and delivery of commodities including classes, types and/or varieties, the time and circumstances of deposit of the rupiah and other relevant matters.

3. The two Governments agree that the issuance of purchase authorizations for agricultural commodities after December 31, 1961 shall be dependent upon the determination by the Government of the United States of America that these commodities are available under Title I of the Act at that time. The Government of the United States shall have the right to terminate the financing of further sales under this Agreement of any commodity if it determines at any time after December 31, 1961 that such action is necessitated by the existence of an international emergency.

ARTICLE II
USES OF INDONESIAN RUPIAH

The rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to this Agreement will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America shall determine, for the following purposes in the amounts shown:

1. For

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1. For United States expenditures under subsections (a), (b), (f), (h) through (r) of Section 104 of the Act or under any of such subsections and for other mutually agreed uses under Section 104 of the Act, other than under subsections (e) and (g), ten percent of the rupiah received under the agreement.
2. For loans to be made by the Export-Import Bank of Washington under Section 104(e) of said Act and for administrative expenses of the Export-Import Bank of Washington in Indonesia incident thereto, five percent of the currencies received under the agreement.
3. For grants to the Government of Indonesia under subsection (e) of Section 104 of the Act, 42 1/2 percent of the rupiah accruing pursuant to this agreement for financing such projects to promote balanced economic development as may from time to time be mutually agreed.
4. For loan to the Government of Indonesia under subsection (g) of Section 104 of the Act, for financing such projects to promote balanced economic development as may be mutually agreed, including projects not heretofore included in plans of the Government of Indonesia, 42 1/2 percent of the rupiah accruing pursuant to this agreement. The terms and conditions of the loan and other provisions will be set forth in a separate agreement.

In the event that agreement is not reached on the use of the rupiah for grant or loan purposes within six years from the date of this agreement, the Government of the United States of America may use the local currency for any purpose authorized by Section 104 of the Act.

ARTICLE III
DEPOSIT OF RUPIAH

1. The deposit of rupiah to the account of the Government of the United States of America in payment for the commodities and for ocean transportation costs financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used) shall be made at the rate of exchange for United States dollars agreed upon by the two Governments.
2. In the event that a subsequent agricultural commodities agreement or agreements should be signed by the two Governments under the Act, any refunds of rupiah which may be due or become due under this Agreement more than five years from the effective date of this Agreement will be made by the Government of the United States of America from funds available from the most recent agricultural commodities agreement in effect at the time of the refund.

ARTICLE IV

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ARTICLE IV
GENERAL UNDERTAKINGS

1. The Government of Indonesia agrees that it will take all possible measures to prevent the resale or transhipment to other countries or the use for other than domestic purposes (except where such resale, transhipment or use is specifically approved by the Government of the United States of America), of the agricultural commodities purchases pursuant to the provisions of this agreement, and to assure that the purchase of such commodities does not result in increased availability of these or like commodities for export from Indonesia.

2. The two Governments agree that they will take reasonable precautions to assure that sales or purchases of agricultural commodities pursuant to the Agreement will not displace usual marketings of the United States of America in these commodities, or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries.

3. In carrying out this agreement, the two Governments will seek to assure, to the extent practicable, conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and extend continuous market demand for agricultural commodities.

4. The Government of Indonesia agrees to furnish, upon request of the United States of America, information on the progress of the program, particularly with respect to the arrival and condition of commodities and the provisions for the maintenance of usual marketings, and information relating to exports of the same or like commodities.

ARTICLE V
CONSULTATION

The two Governments will, upon the request of either of them, consult regarding any matter relating to the application of this agreement or to the operation of arrangements carried out pursuant to this agreement.

ARTICLE VI
ENTRY INTO FORCE

The Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

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DONE AT _____ in duplicate this _____ day of

1961.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF INDONESIA:

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By GP NARA Date 8/4/00

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Enclosure #3

Excellency:

I have the honor to refer to the Agricultural Commodities Agreement signed today between the Government of the United States of America and the Government of Indonesia (hereinafter referred to as the Agreement) and, with regard to the rupiah accruing to uses indicated under Article II of the Agreement, to state that the understanding of the Government of the United States of America is as follows:

1. With respect to Article II, Paragraph (1) of the Agreement:

The Government of Indonesia will provide facilities over the three years for the conversion of the rupiah equivalent of \$1,303,000 accruing under the subject agreement for agricultural market development purposes into currencies other than United States dollars on request of the Government of the United States of America. This facility is needed for the purpose of securing funds to finance agricultural market development activities of the Government of the United States in other countries.

For purposes of section 104(h) of the act the Government of Indonesia will provide, upon request to the Government of the United States of America, facilities for the conversion into other currencies of up to \$500,000 worth of rupiah for use in the purchase of transportation for Indonesian and American participants in the International Educational Exchange Program. Not more than \$100,000 of this amount will be available for use in 1961, not more than \$200,000 in 1962, with the unused balance of the \$500,000 to be available for use in 1963.

The Government of the United States of America may utilize rupiah in Indonesia to pay for goods and services needed in connection with agricultural market development projects and activities in other countries.

The Government of the United States of America may utilize rupiah in the Republic of Indonesia to pay for international travel originating either in the Republic of Indonesia, or outside the Republic of Indonesia when involving travel to or through the Republic of Indonesia, including connecting travel, and for air travel within the United States or other areas outside the Republic of Indonesia when it is part of a trip in which the traveler journeys from, to, or through the Republic of Indonesia. It is understood that these funds are intended to cover only travel by persons engaged in activities financed under Section 104 of the Agricultural Trade Development and Assistance Act, as amended.

2. With respect to Article II, Paragraph 2 of the Agreement:

Loans

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Page 2 of Enclosure #3

Loans to be made under that portion of Section 104(e) of the Act shall be in accordance with the provisions of the Indonesian Foreign Capital Investment Law of October 27, 1958, No. 78.

3. I wish to confirm my Government's understanding that imports of agricultural commodities under Title I of the Act shall be over and above usual commercial imports from the United States and countries friendly to the United States during each of the calendar years indicated as follows:

Rice	650,000 MT	1961, 1962, 1963
Wheat flour	105,000 MT	1962, 1963

Imports of cotton under Title I of the Act shall be over and above usual commercial imports of 17,000 bales from the United States in each of the calendar years 1961, 1962, and 1963. These understandings with respect to usual commercial imports may be adjusted on the basis of a review of Indonesia's food and cotton supplies, financial position, and other relevant factors to be made by the two Governments prior to the beginning of each calendar year.

In the case of rice it is understood that imports under Title I shall be over and above the Government of Indonesia's commitment to purchase rice from free world sources (other than the United States under PL 480) for delivery in calendar year 1961, which at this time amounts to 650,000 MT. During the subsequent years of the Agreement the progress and programs of the Government of Indonesia relating to total rice imports shall be taken into account in the annual review.

I shall appreciate your confirming to me that the contents of this note also represent the understanding of the Government of Indonesia.

Accept, Excellency, the renewed assurances of my highest consideration.

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Page 15, W-3, Djakarta, 7/12/61,

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Enclosure #4

Excellency:

I have the honor to refer to the Agricultural Commodities Agreement between the Government of the United States of America and the Government of Indonesia signed today, and in particular to Article III concerning the applicable rate of exchange for the deposit of rupiah equivalent to (1) the dollar sales value of the commodities purchased under the Agreement and (2) ocean transportation costs financed by the Government of the United States of America.

It is the understanding of the Government of the United States that rupiah deposits against fifteen percent of each disbursement by the United States corresponding to the portion of sales proceeds set aside for purposes specified under Article II, paragraphs (1) and (2) of the Agricultural Commodities Agreement, shall be made at the Bank of Indonesia's selling rate for U.S. dollars plus the transfer tax of one hundred percent, or rupiah 90.2815 per U.S. dollar. Deposits against the remaining eighty-five percent of each dollar disbursement, designated for uses specified under Article II, paragraphs (3) and (4), shall be made at the Bank of Indonesia's selling rate for U.S. dollars, or rupiah 45.2815 per U.S. dollar.

It is further understood that in the event of a change in the exchange system of Indonesia before the dollar disbursements referred to in Article III are completed, the new exchange rate, or rates, for deposits under Article III, to be applicable from the date of such change, will be determined by mutual agreement.

I shall appreciate receiving Your Excellency's confirmation of the foregoing understanding.

Accept, Excellency, the renewed assurances of my highest consideration.

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ACTION:

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Indo Emb counselor Soekirman, acting on GOI instructions, urged Dept on July 18 reconsider usual marketing requirements wheat flour. After review Dept officers assured him July 21 GOI views carefully considered but conclusion is Indos must still/purchase additional 30,000 m.t. essential condition Title I agreement. Explanation given USG could not isolate Indo but had consider interests other govts, hence problem world wide and applicable entire range surplus commodities. Also explained that cost 30,000 mt. flour (say \$2.5 million) appeared feasible Indo handle.

Soekirman said Indos urgently need flour. Since GOI instructed him make urgent representation he presumed even this small cost aggravates balance payments difficulties. He was reminded not necessary GOI buy 30,000 tons in advance conclusion agreement, merely commit purchase before December 31.

Soekirman said possible misunderstanding this point. Asked whether USG position would change should Australia modify stand normal marketings, was

given negative answer and explanation problem is world wide. Dept officers pointed out amount flour can be increased to 62,000 m.t. provided Indos meet normal marketing requirements. Soekirman said would convey foregoing GOI.

PMK
Australia
Rev.
Cat.

RUSK

Drafted by: FE:SPA:EJTrasher:js 7-21-61

Telegraphic transmission and classification approved by:

FE:SPA — Francis G. Jarvis

Cleareances: CSD - Mr. Gabbert
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